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ABSTRACT

This document presents findings of a study that identified key factors of cost-per-pupil differences between public and private school spending among selected Milwaukee area public and private schools. The analysis was limited to cost factors only, specifically, to per-pupil spending. Methodology included a review of the school budgets of 7 public school districts and 17 private schools in the Milwaukee area. The comparison of spending focused on the following cost items: salaries, benefits, books and educational supplies, maintenance and custodial services, utilities, professional services, and overhead. Findings indicate that over 90 percent of the variance in spending between public and private schools was associated with personnel, related to: (1) higher compensation levels; (2) proportionately more teachers and other educational professionals employed; and (3) greater investment in support-service personnel. Five factors were found to account for almost 98 percent of the difference in spending per pupil between public and private schools: (1) higher salaries and fringe benefits for professional employees (48.4 percent); (2) lower pupil-teacher/professional staff ratios (12.9 percent); (3) provision of exceptional education programs (8.2 percent); (4) higher long-term debt service expense (4.3 percent); and (5) higher costs incurred for public schools for support service personnel (24 percent). Eleven figures and an appendix containing costs for each of the educational institutions are included. (LMI)

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Public and Private School Costs

A Local Analysis

1994

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THE FORUM

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Jean B. Tyler,
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Public and Private School Costs:
A Local Analysis

The Study Goal

School spending at all levels generates considerable interest and discussion both here and around the country. Expenditures per pupil for private elementary and high schools are generally lower than spending per pupil for public schools.

This study identifies and analyzes important factors contributing to this spending difference among selected Milwaukee area public and private schools.

A primary goal of this study is to help ground the current debate over the level and allocation of school spending between and among public and private schools upon reliable and comparable data.

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The Study Process

Differences in public and private school spending are a common theme in policy discussion and the popular press, but much of the data used are sketchy, anecdotal, sometimes incorrect and frequently incomplete.

A national literature search by the Forum on the subject of public and private school spending found very few carefully developed studies. This is not surprising. It is difficult to account for all common expenditure items between public and private schools, and comparable data are often hard to obtain, particularly for private schools where there is often no uniform format for collecting or reporting key financial information.

Despite these difficulties, it seems important to try. Drawing upon years of experience in analyzing school finances, this special Forum study examines per pupil spending among representative samples of public and private schools in the Milwaukee metropolitan area. **See Study Design on pages 3 to 5.**

Our study identifies the major expenditure items involved in delivering education in public and private schools, and attempts to quantify their importance in explaining the wide difference in the average spending per pupil between the two systems. **See Findings on pages 6 to 16.**

This study analyzes the cost factors only. It does not attempt to evaluate or quantify other important factors involved in the debate about public and private schools, such as differences in student enrollments and in student performance and other outcomes. **We offer some Observations on page 17.**

An Appendix showing basic facts about each of the public and private schools in our analysis is on **page 18.**

A Bibliography of selected resources used in the preparation of this Report is on **page 19.**

While our study of public and private school spending cannot address and quantify all the factors responsible for the per pupil expenditure difference, we believe it contributes sound and useful data and analysis toward a more reasoned discussion of the two systems.

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Introduction

Although public and private schools are both in the business of teaching children, there are some key differences between them, particularly in the scope and scale of operations.

Public education is a much larger enterprise. The National Center for Education Statistics notes that public school enrollment in 1993 totaled an estimated 44.5 million, while the number of children enrolled in private schools was an estimated 5.6 million. This translates to approximately 8 children in public schools for every child in private schools.

In Wisconsin a total of 793,300 children were enrolled in public schools in 1992-93, and 146,800 children were enrolled in private schools (religious and non-religious). This translates to about 6 children in public schools for every one child enrolled in private schools.

In the Milwaukee metropolitan area, the percentage of all school children attending private schools is somewhat higher, about one of five (21%) in 1992-93.

Besides enrolling many more children than private schools, public schools also operate much larger systems and maintain buildings which are much bigger.

There were 418 public school districts in the State in 1992-93, with the average district enrollment at almost 1,900. In contrast there were 941 private schools in the State in 1992-93, each operating as a separate unit, with the average building enrollment of 155.

In the Milwaukee metropolitan area, public school district and building enrollments are larger than state-wide averages. Here the average (among 34 school districts) was 7,443 in 1992-93. If the massive Milwaukee Public School system is excluded, the average district enrollment is still large, at 4,594.

There were 381 private schools in the Milwaukee metropolitan area in 1992-93. Excluding the 40 or so low enrollment private schools, which are more like special programs than actual schools, the average enrollment for the other 323 private elementary (K-8) schools was 141. The average enrollment for the 14 private high schools was 641.

Public and private school systems operate different sets of grade patterns. Most public school districts in the State, and in the Milwaukee area, operate educational programs serving children from Kindergarten to grade 12, generally organized around elementary, middle and high school educational programs and housed in separate buildings.

In contrast, most private schools operate either a K-8 or 9-12 grade educational program. Few operate middle schools. Most private schools are single building operations, often attached to a church.

Study Design

School Selection

The seven public school districts and seventeen private schools selected for this study represent a cross-section of the geography, socio-economic characteristics, size and type of schools in the Milwaukee metropolitan area.

The seven public school districts in our analysis include the small, compact and fully-developed districts of St. Francis and Whitefish Bay, the sprawling, still developing districts of Menomonee Falls, Mequon-Thiensville and New Berlin, a large suburban district represented by Wauwatosa, and the massive Milwaukee Public School system. Geographically, they range from the central City of Milwaukee, to the northern, western and southern portions of the Milwaukee metropolitan area.

The seven public school districts selected also include a wide range of economic status, from affluent ones like Mequon-Thiensville (with a mean household income of $55,000) to less affluent ones like Milwaukee (with a mean household income of $19,000). The 7 districts also cover the spectrum in terms of enrollment size from the huge MPS with more than 95,000 students, to the small St. Francis district with less than 1,200 pupils.

The seventeen private schools selected for our analysis are located within the geographic boundaries of the seven public school districts in order to provide a rough community comparison. The private schools analyzed represent a cross-section of different kinds of private schools in our area. They include eight Catholic schools, five Lutheran-affiliated schools and four non-sectarian schools.

In Milwaukee, both central city and "suburban-like" schools were included. The 13 K-8 schools selected have an average enrollment of 288 students. This is higher than the overall K-8 area enrollment average, but these schools are more typical of this area and more comparable to the public schools in terms of educational programs offered.

The 4 private school high schools selected in our analysis enroll an average of 582 students, somewhat less than the overall private high school enrollment average for this area, but quite typical in terms of educational programs.

The several, mostly affluent, non-sectarian K-12 private schools in our area were not included in our analysis as they chose not to be included in our analaysis. Students in these schools account for a very small portion of total area private school enrollment.

Fiscal Data

Public school districts and private schools differ markedly in how they fund and budget for educational operations.

Public school districts prepare annual budgets which employ a very detailed and standardized chart of accounts. And, since they are public entities, these documents are available for public inspection.

By contrast, private school budgets are generally not available for public review. Further, unlike public schools, private school budget documents range from simple one-page documents to multi-page detailed documents. Private school budgets also employ a wide variety of differing expenditure formats, further frustrating easy comparison, both with one another and with public school systems.

For this study, public school district budget figures were secured from data already housed in Forum data files. To obtain private school budgeted data, however, we had to request and review each private school's spending reports, often on-site. Along with the separate school budgets we often had to review related organization budgets (church, agency, etc.), to make certain that similar kinds of expenditures were recorded for each private school, and that they were comparable to public school district budgeted operations.

The focus of our analysis is on expenditures only, specifically, per pupil spending. The study does not examine revenue sources, that is, how public and private schools are funded. Their revenue sources are quite different. Major public school revenues include property taxes and state aids, and for private schools primary revenues mean tuition, fees and fundraising.

Despite these differences in budgeting, chart of accounts and level of detail, public and private school systems share certain common expenditures, which form the basis for this financial analysis.

Common Expenditure Items

Analysis and comparison of spending for public and private schools focused on those common cost items in all schools, which were tied most directly to educational programs, and for those services which directly supported school operations.

* **Salaries** - These include salaries for administrators, teaching staff, substitutes and aides, if any. Also included are salaries of any secretaries, custodians and other non-teaching personnel directly connected to the operation of the school.

* **Benefits** - Employee benefits include FICA, health and life insurance, pensions and other employee benefits like dental insurance, continuing education and convention costs.

* **Books and educational supplies** - Items include workbooks, audio-visual supplies, computers, music-art-physical education supplies, testing service expense and any dues and subscriptions.

* **Maintenance and custodial services** - These include costs for building cleaning and repairs, snow removal and garbage collection.

* **Utilities** - Expenditures for items such as phone service, water/sewer, heat and electricity.

* **Professional services** - Spending for such items as financial and legal services.

* **Overhead** - A variety of expenses such as postage, printing and office supplies, insurance, workers compensation and unemployment compensation.

Although common to both public and private schools, these seven general categories of school expenditures did contain some important differences. For example, the budgeted expenditure for employee benefits varied for many private schools, particularly for items like dental insurance or convention expenses.

Maintenance always covered building cleaning and repairs, snow removal and garbage collection. Sometimes in private schools these duties were performed by in-house staff, while in other cases, they were contracted out. The job and cost, however, always appeared somewhere in the budget.

Other school expenditure items which often, but, not always appeared in public and private school budgets included: food service, pupil transportation, rent -mortgage - debt service - building projects, asbestos abatement, athletics, extracurricular activities, advertising, development and fundraising costs.

Adjustments to Budgeted Expenditures

Our analysis focuses on general school operations and long-term debt service expenditures only. Several other costs, although important, are not included due to their variability across both public and private school systems. These include:

* **Community recreation programs** - Many, but not all public school districts are responsible for this expense. It is not part of private school budgets. Community recreation programs are for all ages, and for activities which are not really connected to educational programs.

* **Pupil transportation** - Although an integral part of school operations, public and private schools differ greatly in how much they budget for transporting pupils to and from home to school. For example, fully developed public school districts budget little for pupil transportation, as most students walk to school, while sparsely populated school systems must transport nearly all students to school.

* **Food services** - Both public and private schools differ markedly in scope of food service operations budgeted, related in large part, to the distance students live from the schools they attend.

* **Building and capital improvements** - Spending can vary greatly from year to year depending upon special building improvement and expansion projects, which, in turn, can skew yearly school spending totals.

Although all these expenditure items were excluded from our analysis for both public and private schools, the average per pupil costs incurred by public and private schools in our analysis for pupil transportation, food service and building projects are detailed on page 15 of this report for general information.

Some Private School Costs Added In

While accurate comparisons of costs required excluding certain cost items from public and private school budgets, we sometimes had to add costs from other funds for private schools to arrive at comparable spending totals with public schools.

For example, parent organizations that are involved in the sponsorship of a school, such as a community group or a church, often subsidize the school, but such items are often carried in their budgets instead of the school's own budget. This includes such items as snow removal, insurance, utilities or custodial and maintenance services - which benefit both the parent group as well as the school.

Capital expenditures and debt service for improvement projects like roofs and boilers are typical parent organization expenditures, particularly when the organization uses space adjacent to the school, or in the same complex of buildings.

Therefore, it was essential to analyze not only the school's own budget, but also the parent group and other fund budgets. Any part of these budgets that was for the benefit of the school was added to the school budget. Where items were shared, an appropriate or estimated share was added to the school budget.

Definitions

Our study uses enrollment and budgeted expenditure totals for 1992-93. Throughout this study, much of the statistics and analysis is in terms of costs per pupil, rather than net costs. Expenditures per pupil is a more useful measure of school spending effort, as it overcomes differences in size of school operations. Costs per pupil are net school budgeted expenditures divided by the number of full-time equivalent (fte) students.

School fte pupil totals are adjusted for part-time students (including Kindergarteners). For public school systems, pupil totals were taken from the official 3rd Friday in September enrollment counts. For private schools, enrollment totals were drawn from individual private school officials as well as the numbers each school reported to the State Department of Instruction for the 1992-93 school year.

Public and Private Schools Analyzed

Public School Districts:

Seven Milwaukee area public school districts were included in our analysis:

- Menomonee Falls
- Mequon-Thiensville
- Milwaukee Public Schools
- New Berlin
- Saint Francis
- Wauwatosa
- Whitefish Bay

Private School Districts:

While the costs per pupil for the 7 public school districts are identified (data are drawn from public records), the identities of the per pupil spending totals for the 17 private elementary and high schools are not shown in Chart 1.

Spending data for private schools are not public record, and per agreement with private school officials in the 17 schools analyzed, who allowed us to examine their financial and budget records, their individual per pupil spending totals are not reported. They did allow us to identify who they are:

Private K-8 Schools:

- Bruce Guadalupe
- Central City Catholic
- Grace Evangelical Lutheran
- Harambee Community
- Holy Apostles
- Holy Family
- Pilgrim Lutheran
- Sacred Heart
- St. Cecilia and St. James
- St Mary's Catholic
- St. Paul Lutheran
- Trinity Lutheran
- Urban Day School

Private High Schools:

- Dominican
- Messmer
- Thomas More
- Wisconsin Lutheran

Three other private schools cooperated in our study, but data for them was not complete enough to be included: Lakeshore Montessori, Mount Olive Lutheran and Northwest Lutheran.

Findings

As defined in our study (pages 2 to 4), school spending per pupil is the sum of (net) general operating costs and long-term debt service divided by the number of fte pupils. Spending per pupil totals were calculated for each of the 7 public school districts and 17 private schools.

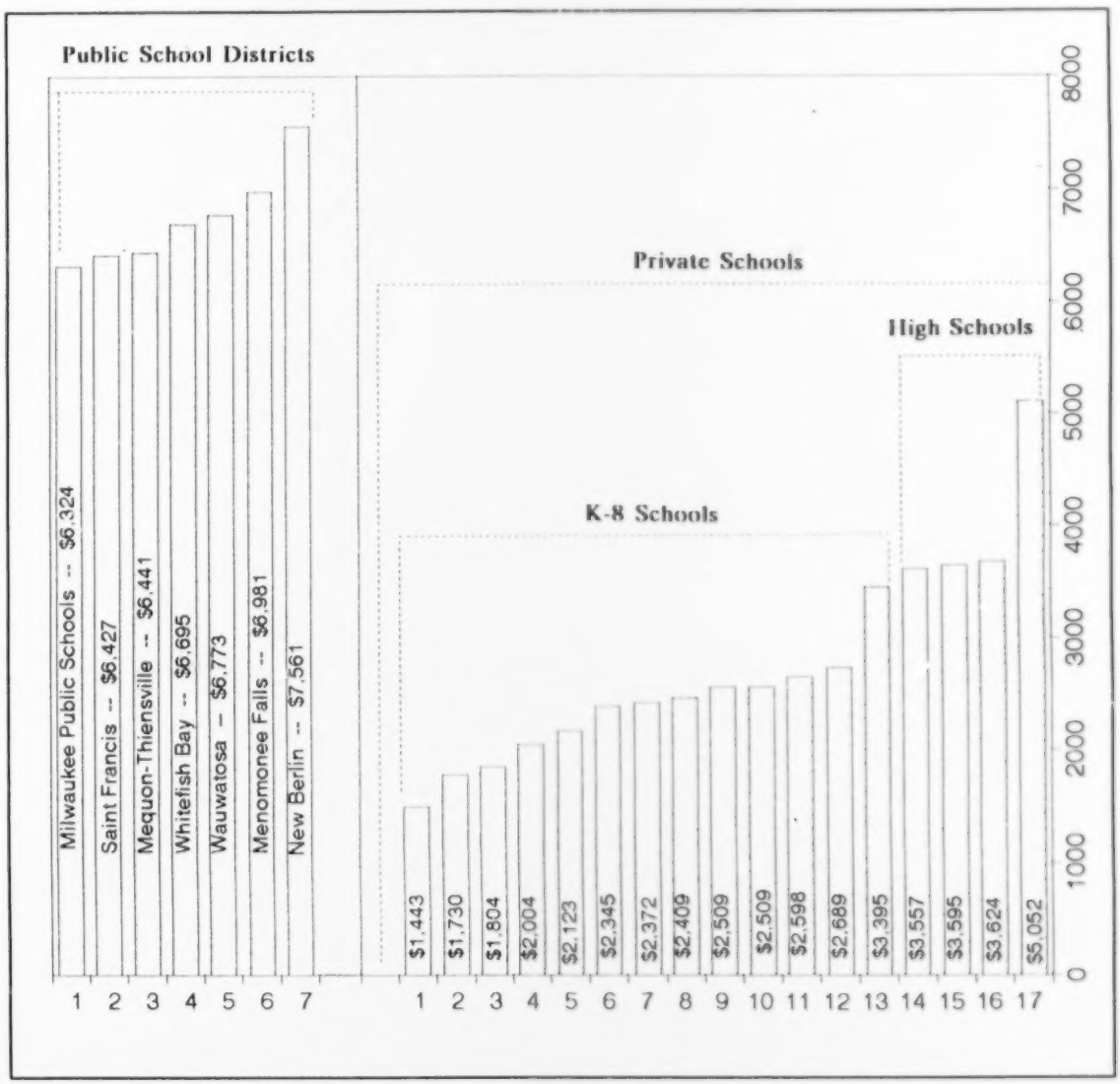
Chart 1 shows the total spending per pupil for each of the public and private schools, ranked from high to low. The 7 public districts having the highest spending per pupil, followed by the 4 private high schools and the 13 private elementary schools.

Public schools: Spending per pupil for the 7 public school districts varies by less than 20% from a low of $6,324 in Milwaukee to a high of $7,561 in New Berlin - the average was $6,743.

Private schools: There is a wider gap in spending per pupil for private schools. The 13 K-8 private schools differ by 135% from $1,443 to $3,395. However, two-thirds of these elementary schools (8 of the 13) vary by less than 25% - the average is $2,302. Spending per pupil for the 4 private high schools differs by 42%, from $3,557 to $5,052. Excluding the highest spending per pupil high school, the other three 3 vary by only 8% - the average is $3,957.

Chart 1

Per Pupil Spending Totals for 7 public and 17 private schools

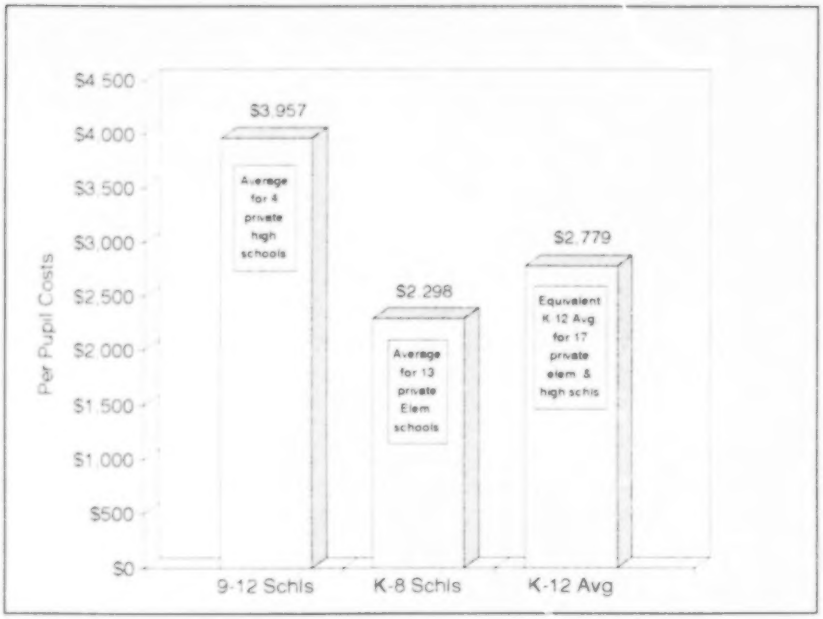


Average Spending Per Pupil for Public and Private Schools

Like public schools, spending per pupil for private high schools is uniformly higher than for elementary schools. More special subject and educational support staff contribute to lower pupil-staff ratios and higher costs per pupil. To establish some per pupil cost comparison with public schools, which are K-12, an equivalent K-12 cost per pupil was calculated for private schools.

Based upon the relative share of students at private elementary and high schools, and the average costs for both, an equivalent K-12 average cost per pupil was calculated at $2,779, **Chart 2.**

Chart 2
Average Spending Per Pupil Totals for Private Schools

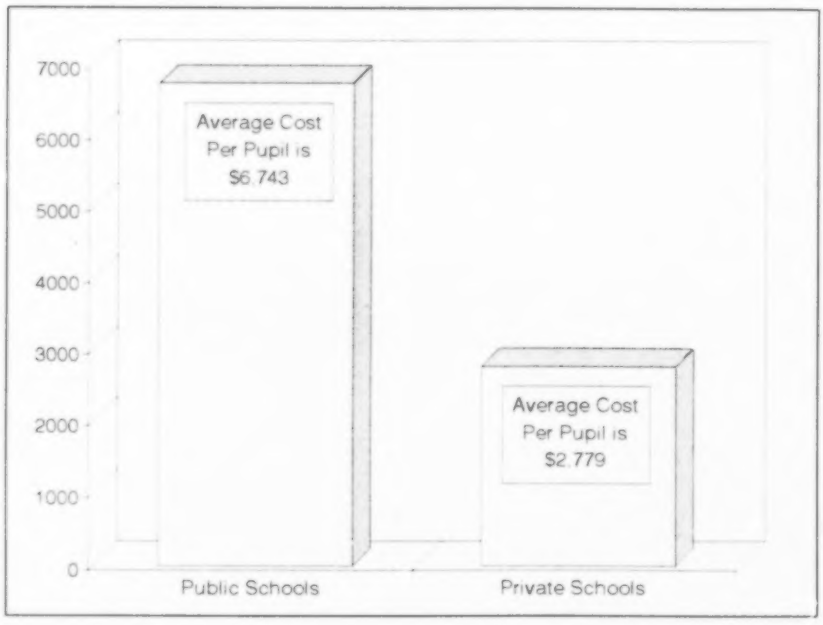


Difference in Average Spending Per Pupil for Public and Private Schools

Chart 3 shows that the 7 public school districts budgeted $6,743 per pupil on average for operating expenses and debt service in 1992-93. The equivalent K-12 average spending per pupil for the 17 private schools was $2,779.

The average cost per pupil for public schools was 142% more than the K-12 spending per pupil average. Individual public and private schools differ from these overall numbers, but only in degree.

Chart 3
Average Spending Per Pupil Totals for Public and Private Schools



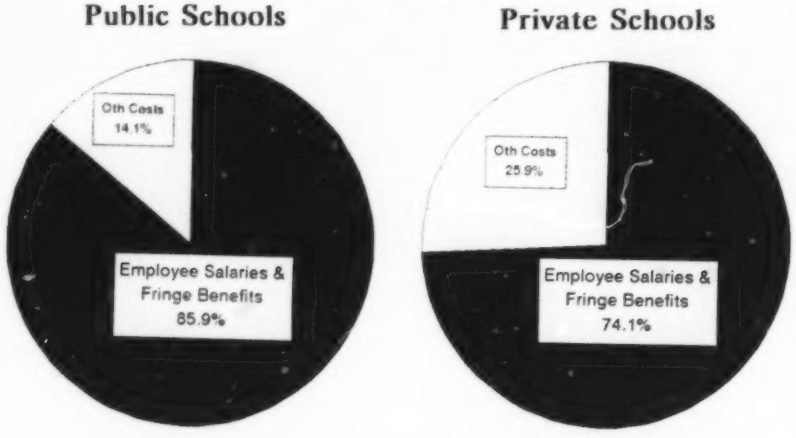
Factors Contributing to This Difference

Public and private schools are employee-intensive operations, with an average of nearly 86% of total public school spending (as defined in our study analysis) and 74% of private school costs dedicated to salaries and fringe benefits, **Chart 4.**

A greater share of public school spending is allocated to salary and fringe benefits, as they tend to have higher salary and fringe benefit levels for most positions and they maintain generally larger educational program support, administrative, clerical, technical and custodial operations than do most private schools.

Chart 4

Employee Costs Account for A Large Share of Public and Private School Budgets

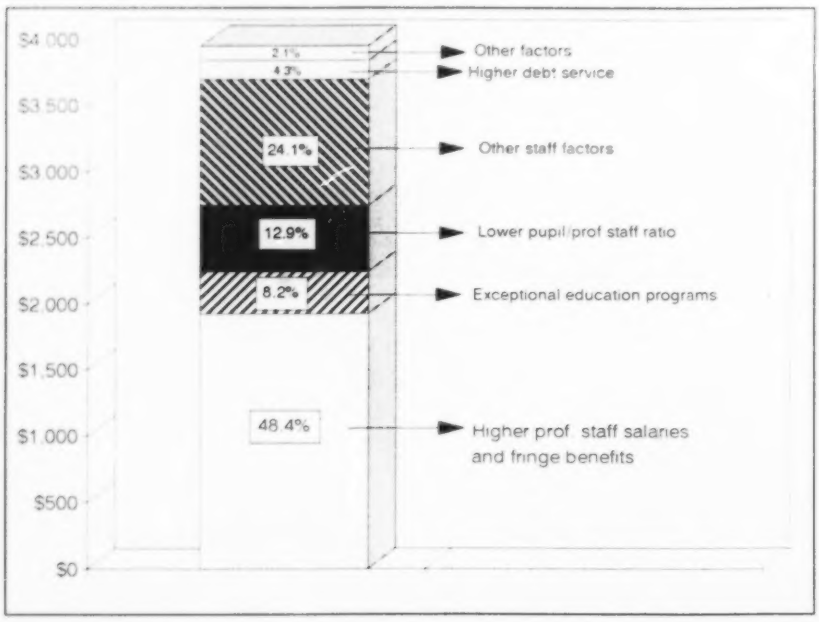


Given the large percentage of school spending allocated for personnel costs, it should not be surprising to discover that a significant amount of the spending per pupil difference between public and private schools is due to differences in salary and fringe benefit levels. Our analysis identifies almost half of the spending difference (48.4%) as higher salary and fringe benefit levels for professional employees (i.e. teachers, professional support personnel, administrators and principals), **Chart 5.**

A combined 21% of the spending per pupil difference is due to greater public school investment in certain programs and services, including **1)** provision of state-mandated exceptional education programs, and **2)** lower overall pupil-professional staff ratios (due to wider course offerings and more specialists in art, music, physical education, reading, foreign lanaguage, special help and proportionately more staff employed as social workers, librarians, guidance counselors, psychologists, computer specialists.

Chart 5

Factors Responsible for Per Pupil Spending Difference



Twenty-four percent of the spending difference between public and private schools is due to proportionately greater investment, more people employed and generally higher wage and fringe benefit levels for non-educational program operations. These include staff and costs for various operation and maintenance services, (i.e. custodial, clerical) and a wide range of overhead expenditure items.

An estimated 4.3% of the spending difference is traced to higher long-term debt service levels for public schools. The balance of the difference (an estimated 2.1%) is unidentified.

The following sections detail these factors.

Influence of Salary and Fringe Benefit Levels

As we've reported, between 74% to 86% of spending for private and public schools, respectively, is for employee salaries and fringe benefits. Public school spending per pupil for salaries and fringe benefits varies by 29% from $5,162 in St. Francis to $5,601 in New Berlin. Excluding New Berlin, which ranks 2nd highest among 34 area public school districts, the spending per pupil total for salaries and fringe benefits for 6 other districts included in our analysis, varies by less than 15%. The average is $5,743.

There is a greater difference in spending per pupil for salaries and fringe benefits among private schools. Like public schools, spending per pupil for salaries and fringe benefits is higher (45%) at the high school than at the elementary level.

The average spending per pupil for salaries and fringe benefits for the 4 private high schools is $2,948. The average for the 13 private K-8 elementary schools is $1,670. The K-12 private school equivalent (based upon proportional share of students and spending by both levels) is $1,842. **Chart 6** shows the spending per pupil totals for salaries and fringe benefits for public and private schools.

The large difference in employee compensation between public and private schools is illustrated in Chart 6. If private school compensation costs per pupil are doubled, the gap between public and private school spending narrows from 142% to 46%.

Analysis of Higher Salaries and Fringe Benefits for Professional Employees

About 75% of all personnel in public school districts, and 85% to 90% of all private school employees are school professionals. These staff are connected directly to educational programs, such as teachers, support personnel and administrators.

Chart 6

Per Pupil Spending For Employee Salaries and Fringe Benefits

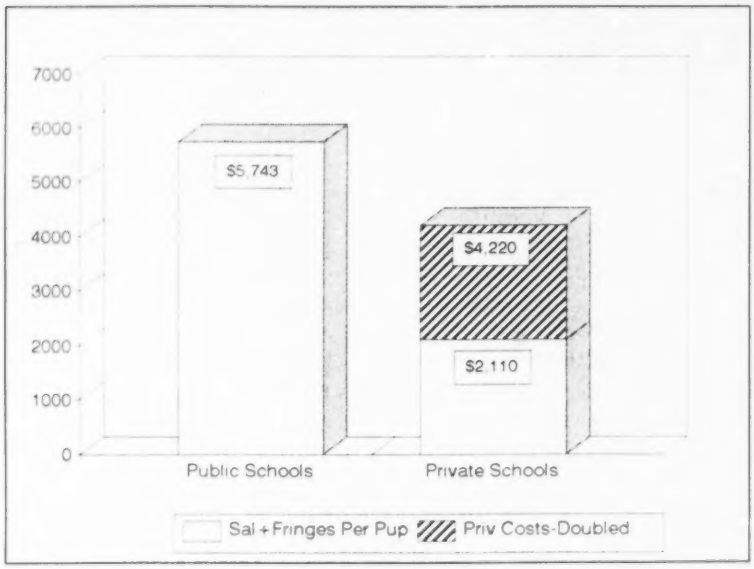
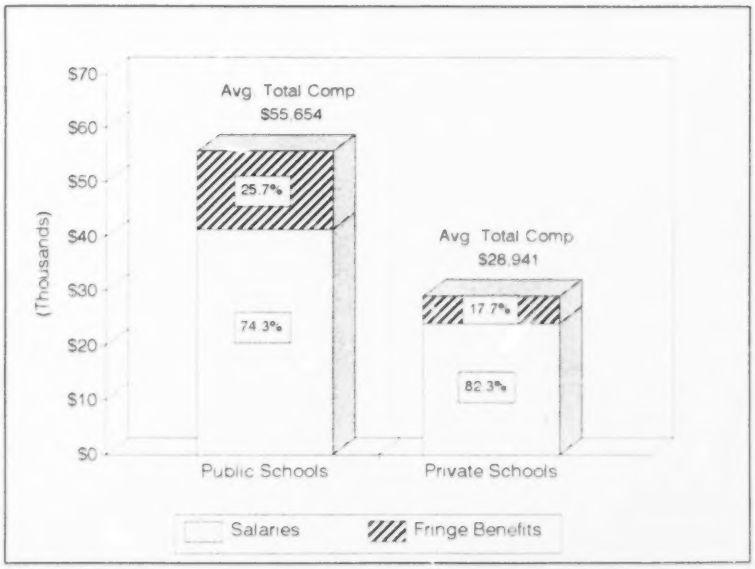


Chart 7

Average Compensation for Public and Private Schools



Most of the non-educational program staff in public and private schools are custodians, secretaries and maintenance personnel.

As chart 5 notes, almost half of the total average spending per pupil between public and private schools is attributable to higher salary and fringe benefit levels for professional employees.

In 1992-93 total compensation for school professionals in the 7 public school districts (salary and fringes combined) averaged $55,654. This compares to an average total compensation level of $28,941 for professionals in the 17 private schools in our analysis, **Chart 7,** about half the average total compensation for public schools.

Across the country, compensation for public school professionals is higher than for their counterparts in private schools. Further, in the Milwaukee area, as elsewhere around the country, public teacher salaries have been increasing steadily. Up until the last couple of years, teacher salary increases have averaged 6.5% to 8% annually, about twice the rate of inflation. However, since the revenue cap increases imposed upon Wisconsin school districts two years ago, public teacher salary increases have been about half the rate of increase of previous years (about 3.5% yearly).

Tenure is sometimes suggested as a possible factor in the salary difference between public and private schools. Although data on teacher years of service are very limited for private schools, there does not appear to be a great difference between public and private schools with regard to teacher seniority.

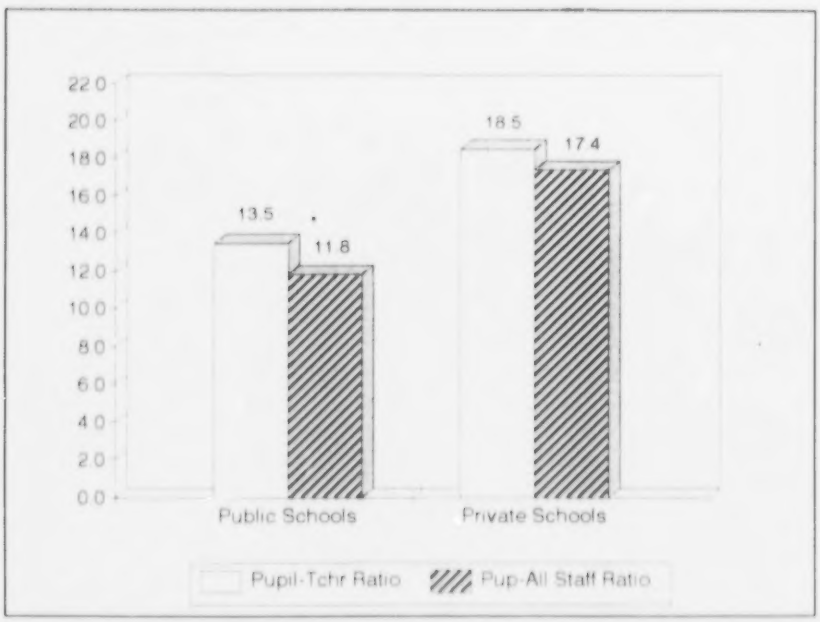
Chart 7 shows that a greater portion of total public teacher compensation is composed of fringe benefits than is the case for private school teachers (25.7% vs. 17.7%). Personnel benefit levels are proportionately greater for public school teachers than their private school counterparts, and a larger share of the benefits are paid by public schools than is the case for private schools.

For example, many private schools pay only about 50% of the teacher's health insurance premium compared to the 90% average share by public schools.

Furthermore, a public sector employee may receive compensatory funds when he/she refuses a benefit, but not many private schools have adopted such a policy. Pension benefits are also more substantial for public school professionals than for those in private schools. All told, about 40% of the total difference in teacher compensation between public and private schools is attributable to greater benefits in the public sector.

Chart 8

Pupil Teacher and Staff Ratios for Public & Private Schools



Lower Pupil Staff Ratios in Public Schools

Public school systems maintain a pupil-teacher and pupil-total professional staff ratio which averages 37% and 47% lower, respectively, than similar average ratios for private schools, **Chart 8.**

Pupil-teacher ratios differ from class size figures. Pupil-teacher ratios are the total number of teachers in a public school district or private school divided by the total fte enrollment. Class sizes are the number of students in an actual classroom taught by a teacher.

Recent reports by CESA #1 and the private schools indicate that class sizes for most general instruction were fairly similar in public and private schools, with an average of about 20 to 22 students.

Hence, the lower pupil staff ratios for public schools are not related to fewer numbers of students in classes. The lower public school ratios are due primarily to other factors such as:

1) use of teacher free periods,
2) principal time instead of substitute teachers,
3) the employment of substantially more special subject teachers and professional support staff,
4) the utilization of middle school programs

The following elaborates upon these latter two factors:

Special subject teachers and professional support staff:

Typically, most K-8 private school classroom teachers instruct students in nearly all subjects. In the public sector, however, there are also music, art and physical education teachers, as well as reading, computer, foreign language and library staff. While private schools employ some of these special subject staff, the public schools have proportionately many more. All of these special subject staff are in front of students as well as the general classroom teacher.

The greater numbers of special teachers are due in part to state program mandates, and to a belief that these specially trained staff provide a better learning experience for students. Further, most private schools have less than 300 students, and given their small size, may have difficulty justifying the employment of such special staff.

Public school districts also employ many more professional support staff than do private schools, i.e. school psychologists, librarians, guidance counselors, school social workers. State program mandates are partly responsible for this greater public investment, but like other programs, the larger size of public school districts also makes it more possible for them to hire more of these support professionals.

Middle schools:

For private schools that cover Kindergarten to grade 8, the years between 6th and 8th grade contrast sharply in structure and program with public schools. Whereas most private schools maintain the one teacher/one class instructional arrangement, virtually all public schools move students in these grades to a middle school, with a staffing pattern that more closely resembles the high school, which is a more costly educational program structure.

Public schools here and around the country have long employed the middle school arrangement, as an educational and social bridge for the emerging adolescent, from the self-contained classroom setting at the elementary level, to the more independent departmental course arrangement at the high school.

Smaller building enrollments and differences in educational philosophy help explain why most private schools do not have middle schools.

In middle schools, there are different teachers for math, science, language, social studies, art, physical education and the whole panoply of other offerings. The teachers who serve rotating groups of children have less student contact hours and more preparation time than those who remain with one group for a large part of the day. This program and staffing arrangement contributes to lower pupil-staff ratios for public schools and higher costs per pupil.

As with middle schools, high school teachers have generally fewer student contact hours and more preparation time than their private school counterparts - all of which contribute to lower pupil-staff ratios and higher costs per pupil.

Impact of Exceptional Education

On average, about 8% of the total spending per pupil difference between public systems and private schools is due to exceptional education programs in the public school districts.

The cost of identifying, servicing and evaluating the special learning, emotional and physical needs of children falls largely on public school systems. While private schools do serve some children with special needs, they do not compare with the scale and cost of those currently deployed by public school systems.

State law mandates that all public school districts provide, or make available, special programs for children with identified learning and physical disabilities. Currently, there are 14 different categories of disabilities, from the generally less intensive speech and language handicap program, to the highly intensive (and very expensive) programs for those with severe emotional-physical-learning handicaps.

While many exceptional education children are "mainstreamed" into regular education programs, where feasible, separate exceptional education teachers also have students parts of the school day and week.

By law, public schools must enroll private school students for disability areas where programs are not available. Typically though, many parents with disabled children will enroll their children in public schools where such special programs exist.

Unlike private schools, exact costs and numbers of staff dedicated to exceptional education are detailed for public schools. On average, about 12% of all public school teaching staff are exceptional education teachers, accounting for about 10% of all public school costs. While the MPS has somewhat more exceptional education teachers than most districts (about 17% of its teaching staff), exceptional education teachers are a large part of suburban teaching staffs too, averaging about 12% overall.

Chart 9
Exceptional Education Expenditures Per Pupil

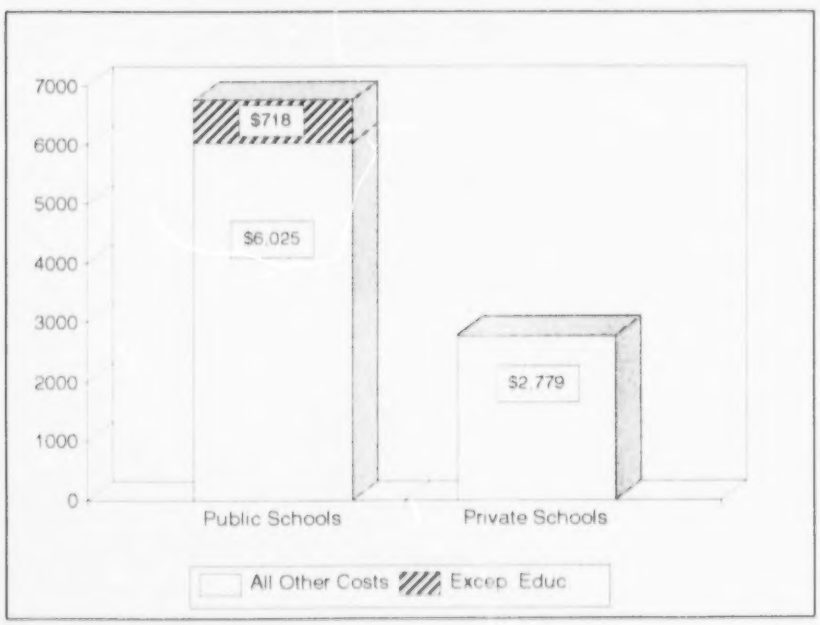


Chart 9 shows that this translates into an average cost per pupil of $718 for the seven public school districts included in our analysis, about the average for all public school districts in the Milwaukee metropolitan area.

While most private schools serve some students with special needs, the programs are generally quite minimal and most are conducted within the general instruction classroom. Private school budgets and financial reports examined did not detail separate costs for exceptional education.

Debt Service Differences

Higher debt service for public school systems accounts for an average of 4.3% of the difference in total spending per pupil between public and private schools. **Chart 10** shows that the seven public school districts have an average cost per pupil for long-term debt service of $189, which is 5 times the average expense per pupil for the 17 private schools ($31).

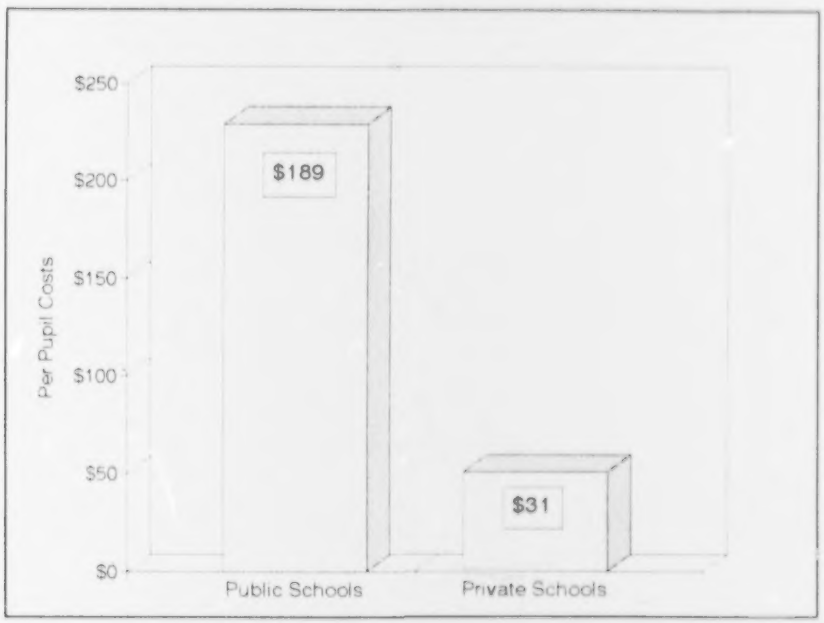
Generally, public schools have considerably larger and more sophisticated physical plants than do private schools. After a long period of relatively small investment in new/expanded/improvements in building projects in recent years, public school districts have stepped up their capital spending, spawned in part by increases in the number of pupils. Since bottoming out in the early 80s, public K-12 enrollment has risen about 10% overall, due primarily to an increase in the number of new births.

While public school districts must provide space for all those who choose to enroll in them, private schools are under no such obligation. Private school enrollment has risen only slightly in the State and in our region overall, in recent years. Consequently, most private schools have not had to incur the expense common to most public schools for school expansion/improvements.

Further, unlike most private schools, public school districts finance much of their building expansion/improvement projects by long-term borrowing. Hence, they incur annual debt service cost. Many private schools instead rely upon special building campaigns and upon "pay-as-you-go" cash financing. Indeed, several religious institutions noted that they were forbidden to embark on a large scale capital spending without the money in hand.

Chart 10

Debt Service Expense Per Pupil for Public and Private Schools



Other Staff Related Differences

So far, this study has described four specific factors contributing to the difference in spending per pupil between public and private schools, including:

1) higher salaries and fringe benefits for professional employees (48.4%),
2) lower pupil-teacher/professional staff ratios (12.9%),
3) provision of exceptional education programs (8.2%),
4) higher long-term debt service expense (4.3%)

The sum of these for factors is responsible for 73.8% of estimated average difference in spending per pupil between public and private schools.

Much of the remaining difference (26.2%) lies in higher costs incurred for public schools for non-educational program, or support services. While our data on these cost items is less complete than for educational program and debt service areas, analysis of public school operations and typical private schools reveals a significant difference in spending per pupil in these support service expenses between the two systems.

This support service expense is for the operation and maintenance of buildings, clerical and other administrative support, supplies and equipment and a wide variety of business and assorted overhead expenses.

As with eductional programs, a larger share of this expense is in the form of salaries and fringe benefits for the custodians, maintenance personnel, secretaries, clerks and other support personnel. About 25% of all public school employees are in these positions. However, based upon a review of the typical private school operation, only about 10% to 15% of all employees are in these positions.

Due in part to the larger scale and greater complexity of opertions, both in terms of programs offered, staff employed, and, the size of the physical plant, public school districts hire proportionately more support service personnel than do private schools. These support service staff are unionized, and command generally higher salaries and fringe benefits than their counterparts in the private sector.

Based upon examination of public and private school budgets and financial reports and review of typical service, staffing and compensation practices in public and private schools, it was determined that an average of 24.1% of the total spending per pupil difference between public and private schools is related to the greater public school investment in these non-educational program support personnel.

These five factors account for 97.9% of the difference in the average spending per pupil between public and private schools, which leaves 2.1% in unidentified items.

Analysis of Costs
Not Included in Our Analysis

The focus of our per pupil spending comparison between public and private schools is on general operations and long-term debt service only, two areas of spending common to both systems, which are reasonably consistent from year to year. These two expenditure areas constitute about 90% of all spending by public and private schools, on average.

As indicated in our explanation of expenditure items included in our comparative analysis (page 3-5), we have not included public and private school costs for pupil transportation, food services and building programs.

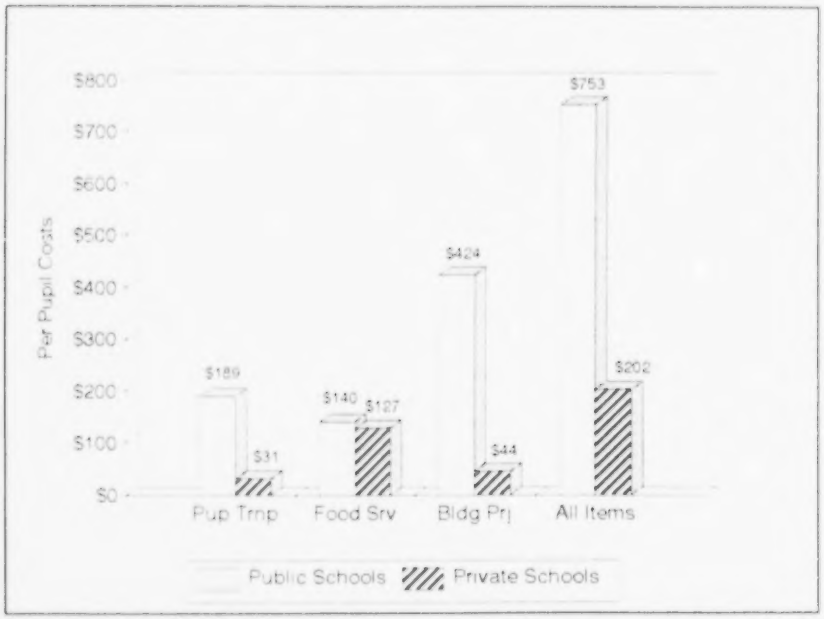
Due to conditions other than educational programming, these costs vary considerably from school to school and from year to year, across both public and private schools.

While of course important, pupil transportation, food services and building projects are more tangential to educational operations. For all these reasons, we excluded these costs from our financial analysis, but have included them here, so the reader can see their impact.

Chart 11 shows the average costs per pupil for these three cost items, for public and private schools. The average public school district spending per student for pupil transportation and building project expense budgeted in 1992-93, was considerably more than for private schools.

There was less difference in the average spending per pupil for food services between public and private schools.

Chart 11
Comparison of Cost Items Not Included in Analysis



Factors not Quantified

Several factors mentioned in conversations and the literature could not be properly assessed from the budget and financial reports analyzed for this study. Some may warrant further analysis.

Impact of poverty:
The effects of poverty are often described as contributing to greater need and higher cost for delivering education, across both public and private schools. Some suggest that public school enrollments are more racially diverse and serve proportionately more students who reside in poverty, thus contributing to their higher costs per pupil.

The MPS has by far the greatest percentage of its student enrollment living in poverty (over 70%), and also the largest number and share of pupils identified as educationally "at-risk." Yet spending per pupil for the MPS ranks at the area average (16th out of 31 K-12 public school districts). The MPS has the highest pupil-teacher ratios and average general instruction class sizes among all area school districts (due in part to its larger size and bigger buildings), employs proportionately fewer special subject and support staff, and has the highest staff turnover rate (younger aged staff who have lower compensation levels) -- all important factors which contribute to its more "average" expenditure per pupil.

Several private schools in this study serve large groups of racially diverse and poor students, who might be assumed to have extra educational needs, as do their public school system counterparts, thus contributing to higher costs per pupil. Costs per pupil for these private schools did fall generally towards the higher end in the range of private school per pupil spending, but like public schools, it is unclear how the role of "poverty" contributes to their higher spending.

Outside donations:
Private schools receive extensive donations of professional services, such as legal, accounting, planning and other items, thus contributing to their lower costs per pupil. Such services are also donated to public school systems. Public and private schools alike have very limited records on such donations, making it difficult to assess their budgetary impact.

Volunteered services:
Parents may provide volunteer services at private schools that are purchased in public systems. Yet, both public and private schools make use of parent volunteers, and such services are not reflected in budgets, thus, prohibiting an analysis of their fiscal effect.

Community use of school facilities:
It is sometimes suggested that non-educational use of public school facilities may increase their total spending per pupil. However, such use of school buildings also occurs in the private sector, and in both cases, community users contribute to the extra costs incurred for using facilities after the school day.

Our analysis of factors contributing to the average difference in spending per pupil between public and private schools indicates that over 90% of the variance is associated with personnel, related to:

1) higher compensation levels,
2) proportionately more teachers and other educational professionals employed,
3) a greater investment in support service personnel.

Thus, the collective weight of these additional factors mentioned in this section is not great. The absence of good data on the impact of poverty upon educational operations and costs makes it difficult to weigh the effect of this socio-economic condition.

Observations

This study on public and private school spending identifies and quantifies key factors contributing to cost per pupil differences between these two major systems of local education. Our analysis is strictly on finances. We do not measure any potentially important demographic differences between students enrolled in public and private schools, nor do we evaluate outcomes of student learning and other performance indicators of the two systems.

This report is released in an environment where there is growing debate, nationally and locally, over the merits of expanding school choice. This discussion includes expanding school and program alternatives in both the public sector (i.e. charter schools, alternative programs, open-enrollment etc.), and in the private sector (i.e. vouchers, tuition support, etc.). Our study does not evaluate the merits of these initiatives.

The major purpose of this study is to provide a more definitive database on the range of and causes for differences in spending per pupil between public and private schools, so that discussion on public and private school spending and the merits of various initiatives to change or expand current programs is based upon facts. Although we cannot prevent various parties from inappropriately using the findings in this report to advance their own positions, we've taken great care to present our data and analysis in a responsible manner.

While we expect that readers will draw their own conclusions from the data and analysis reported in this study, we wish to summarize three important points:

Influence of Salary Differences

About half of the total average difference in spending per pupil between public and private schools is tied to variances between public and private schools in employee compensation for school professionals (i.e. teachers, support personnel, administrators). Private school teachers receive about half the average salary and fringe benefits of their public school counterparts. Any serious discussion concerning expansion of private school education must reflect this important fiscal difference. Some observers suggest there may be a limited pool of teachers who are willing to work for half the pay of public schools.

Divergent School Environments

Public schools operate under a different set of program requirements than do private schools, which contribute, in part, to their higher costs per pupil. Unlike private schools, they must enroll all students who choose them, which often means building new and expanded schools when enrollments increase, as they are presently. And, if students should have any identified special needs, public schools must provide a prescribed band of often expensive services, such as in exceptional education. State laws control a variety of programs, services and policies delivered by local public school districts, from the number of school days, to graduation credits, to course offerings and an assortment of other requirements, many of which contribute to higher costs per pupil for public schools.

Further, unlike most private schools, salary and benefit levels are subjects of mandatory collective bargaining with unions, along with binding arbitration.

Varying Educational Philosophies

Public and private schools differ in some important educational program philosophies such as the use of middle schools for early adolescents and the provision of a wider array of programs and courses at the high school level, which also contribute to a higher cost per pupil for public schools. Public schools also tend to employ more teacher specialists for art, music, physical education, reading, computer instruction, foreign language, as well as various support professionals, such as psychologists, social workers, librarians teacher aides, administrators and guidance counselors - further contributing to the per pupil spending difference with the private schools. This study does not evaluate the educational value of these different program philosophies and special teacher and support professionals.

Appendix

	FTE Enroll	School Bldngs	Budgeted Oper Costs	Prof Staff	Pup/Stf Ratio	Sal + Frng Costs Per Pupil	Prcnt Sal + Frng to Total Cost	Average Total Comp.	Excep Ed. Costs Per Pupil	Debt Srv Costs Per Pupil	Bldg Proj Costs Per Pupil	Food Serv Costs Per Pupil
Public School Districts												
Milwaukee	90,017	148	$574,758,000	6,751.0	15.1	$5,490	86.0%	$48,740	$718	$61	$186	$245
Saint Francis	1,249	4	$8,415,000	108.0	13.3	$5,162	76.6%	$48,843	$797	$310	$1,428	$163
Mequon-Thiensville	3,734	7	$25,051,000	322.0	13.8	$5,312	79.2%	$48,972	$614	$268	$402	$132
Whitefish Bay	2,511	4	$17,828,000	220.0	13.0	$5,899	83.1%	$48,724	$495	$405	$211	$10
Wauwatosa	6,677	13	$46,318,000	602.0	12.7	$5,832	84.1%	$51,032	$604	$164	$0	$119
Menomonee Falls	3,556	5	$25,482,000	303.0	13.5	$5,915	82.5%	$51,303	$730	$185	$60	$162
New Berlin	4,384	10	$33,888,000	367.0	13.3	$6,668	86.3%	$60,904	$1,009	$169	$704	$147
Private Schools												
1	144	1	$259,500	7.5	19.2	$1,083	60.3%	$22,355	*	$352	$0	$0
2	261	1	$451,400	14.0	18.6	$1,402	81.0%	$26,128	*	$0	$0	$0
3	195	1	$368,100	11.7	16.7	$1,587	84.1%	#	*	$83	$0	$0
4	439	1	$880,000	21.0	20.9	$1,479	73.8%	$29,514	*	$0	$0	$0
5	181	1	$392,900	11.4	15.9	$1,808	82.3%	$31,479	*	$46	$0	$126
6	227	1	$538,500	15.0	15.1	$1,718	72.4%	$32,503	*	$0	$0	$103
7	384	1	$900,500	18.3	21.0	$1,560	66.5%	$27,858	*	$0	$122	$0
8	275	1	$662,600	15.0	18.3	$1,949	80.9%	#	*	$0	$0	$0
9	208	1	$521,900	17.5	11.9	$1,921	76.6%	$26,642	*	$0	$0	$0
10	198	1	$551,100	12.0	16.5	$1,911	68.6%	$29,600	*	$275	$515	$0
11	400	1	$1,039,000	21.0	19.0	$2,180	83.9%	#	*	$0	$0	$90
12	433	1	$1,164,200	28.2	15.4	$1,972	73.4%	$31,583	*	$0	$0	$81
13	410	1	$1,372,900	19.1	21.5	$2,022	60.4%	#	*	$14	$0	$322
14	710	1	$2,545,100	41.7	17.0	$2,552	71.2%	$32,250	*	$28	$106	$540
15	306	1	$1,118,800	21.3	14.4	$2,532	69.3%	#	*	$61	$0	$162
16	932	1	$3,377,600	65.3	14.3	$2,675	73.8%	$39,578	*	$0	$0	$540
17	394	1	$1,990,400	30.2	13.0	$4,034	79.9%	#	*	$0	$0	$195

Average Total Professional Compensation data were not available for these private schools.

* Exceptional education costs are not detailed for private schools.

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